

1 77. On October 21, 2011, LARKIN received an email discussing whether the
2 Backpage website should include a warning message concerning the prostitution of
3 children. This email contained the following joke: "Andrew [PADILLA] thinks it to[o]
4 heavy handed and thinks our web site name will be entrapment.com (Hilarious)."

5 78. On November 16, 2011, HYER and PADILLA received an email asking for
6 "urgent" assistance in eliminating the word "teen" from the ads appearing on Backpage's
7 website: "Remove ads with teens or remove the text teen from . . . ads." The following
8 day, PADILLA wrote back with an update that he had found "76 pages of results" and that
9 he had simply "edited" all of the ads posted within the last two months (*i.e.*, allowed those
10 ads to remain on the website after sanitizing them).

11 79. Between around January and March 2012, many of Backpage's moderators
12 (who were supervised in part by PADILLA and VAUGHT) underwent performance
13 appraisals. These appraisals revealed that many of the moderators did "not report young
14 looking escorts." Nevertheless, these moderators were allowed to keep their jobs, and
15 sometimes were given strong overall performance ratings.

16 80. On February 16, 2012, PADILLA sent an email to VAUGHT stating that
17 Backpage should limit the number of child-exploitation referrals it was making to
18 NCMEC: "If we don't want to blow past 500 this month, we shouldn't be doing more than
19 16 a day."

20 81. On February 23, 2012, C.F. was forwarded a legal notice claiming that
21 several of Backpage's ads included copyrighted content from two competing websites
22 called RubMaps.com and EroticMP.com. C.F. also received copies of the underlying ads
23 from the competing websites, which clearly involved prostitution. In one of the ads, a
24 customer stated that, in return for \$45 and a \$5 tip, he had received a "Blow Job . . . w/
25 condom" from a woman who "had nice breasts." In a different ad, a customer stated that,
26 in return for \$60, he had oral and vaginal sex with a prostitute. And in a different ad, a
27 customer stated: "Her bj was slow and erotic, and she was happy to go with whatever
28

1 position I wanted.” When C.F. forwarded these materials to Backpage’s staff, he was asked
2 whether the corresponding ads appearing on Backpage’s website should be removed
3 immediately. C.F. replied that they should be allowed to remain on Backpage for another
4 few weeks without any modification.

5 82. On March 15, 2012, HYER received an email concerning the ads with the
6 copyrighted material. This email stated that the ads shouldn’t be deleted and that
7 Backpage’s technical staff should merely “strip out” the names of the competing
8 prostitution websites: “Copyright infringement issue. We need to strip out every
9 appearance of rubmaps.com and eroticmp.com.” When a staff member sought more
10 guidance, HYER interjected: “We don’t need to delete ads or users.”

11 83. On April 7, 2012, PADILLA was informed that a woman had contacted
12 Backpage to report that one of the “escorts” depicted on the site was only 17 years old.
13 The woman provided the juvenile’s full name and birth year and further stated that the
14 juvenile had been attempting to recruit the complaining party’s daughter (who was 15). In
15 response, PADILLA instructed his staff to refuse to remove the ad because “she’s isn’t
16 claiming her own daughter is in the ad.”

17 84. On April 8, 2012, LACEY sent an email emphasizing that “jim [LARKIN]
18 and I believe in legalized prostitution” and stating that Backpage’s efforts to prevent the
19 prostitution of children on the site were “not perfect, by any means.”

20 85. On April 25, 2012, a Backpage representative spoke at a meeting of the New
21 York City Council’s Women’s Issues Committee. During this meeting, the representative
22 stated it was better to have ads for sex work appear on Backpage than have them move to
23 other places on the internet. The representative further stated: “I don’t deny that Backpage
24 is part of the problem, but the problem is the internet.”

25 86. On April 27, 2012, a woman wrote an email to Backpage’s support
26 department stating that her underage daughter had been kidnapped, drugged, and was being
27 advertised as a prostitute against her will. The email identified the specific phone number
28

Case 2:18-cr-00422-SPL Document 3 Filed 03/28/18 Page 21 of 61

1 associated with the ads (754-229-xxxx), stated that the ads appeared on a website called
2 BackpagePics.com, and asked that the ads be removed immediately: "This is a drugged
3 and held against her will child who had photos taken under threat and duress Please
4 remove." This email was forwarded to PADILLA by a subordinate, who asked "should
5 we respond?" PADILLA replied by explaining that, because the website
6 BackpagePics.com wasn't owned by Backpage, there was no need to respond to the
7 mother.

8 87. On April 30, 2012 (three days later), the same woman wrote another email
9 to Backpage's support department. In this email, the woman stated that "I have contacted
10 backpage on several occassions [sic] to remove these pictures which were posted against
11 her will and while she was drugged and held captive. I have yet to receive a reply." This
12 time, the woman provided a link to her daughter's ad on Backpage (not
13 BackpagePics.com), which included the same phone number (754-229-xxxx) that had been
14 included in the other ad.

15 88. On May 1, 2012 (the next day), the same woman wrote a third email to
16 Backpage's support department. In this email, the woman included a link to another ad on
17 Backpage depicting her underage daughter and stated: "I also found a pix of my daughter
18 within this url both girls are in protective custody." Later that day, the woman received an
19 email from Backpage's support department stating: "The post is confirmed removed."

20 89. Some of these emails were forwarded to LACEY and LARKIN. In response,
21 LARKIN applauded Backpage's "good solid response" to the woman and remarked: "this
22 whole rigamarole seems a little odd to me."

23 90. On May 10, 2012, the television news station CNN ran an expose on
24 Backpage that emphasized "how young some of these girls look" and deemed the website
25 "a hub for the sex trade."

26 91. On May 11, 2012, PADILLA sent an email to VAUGHT and other Backpage
27 employees entitled "forbidden planet." Enclosed with the email was an Excel spreadsheet
28

1 that identified over 600 words and phrases that are indicative of prostitution. The
2 spreadsheet also specified, for each word and phrase, whether an ad containing the
3 offending language should be banned or whether Backpage should simply “strip term from
4 ad” and then publish it after the revision.

5 92. On July 12, 2012, PADILLA sent an email (which was also shared with
6 VAUGHT) to the head of Backpage’s Indian moderation team. In this email, PADILLA
7 criticized the moderators for deleting too many ads and provided the following instruction:
8 “I agree that ‘over cautiousness’ is as big of a problem as moderators that miss a lot of
9 violations.”

10 93. In or around November 2012, a researcher at Arizona State University
11 published a study concluding that most of the ads on Backpage’s Phoenix page involved
12 prostitution and that many of the ads depicted juvenile trafficking victims. On December
13 19, 2012, LACEY was forwarded a copy of the study’s results. The researcher responsible
14 for the study also met with a Backpage representative to propose various mechanisms for
15 reducing or eliminating the prostitution of children on the website. Backpage declined to
16 adopt these proposals.

17 94. Between around September 2010 and October 2012, C.F. became aware that
18 a particular Backpage customer, P.R., was posting prostitution ads. Rather than bar this
19 customer from posting future ads, C.F. repeatedly restored her posting privileges and gave
20 her advice on how to conform to Backpage’s publication standards. The communications
21 involving this woman’s ads included the following:

22 • On September 26, 2010, C.F. received an email from a woman who was
23 obviously posting prostitution ads on Backpage. The woman, whose email address
24 included the phrase “provider4u,” wrote to complain that her escort ad (“50 Red Roses
25 special – Dont Miss out !!!”) had been removed even though “[o]ther women have more
26 explicit ads than me and they are up!” The woman continued: “I can not afford to have
27 this ad removed. This is the only way I can get by and if its not on all the time I will not
28

1 be able to pay my bills My fiancé is in jail and he is not able to help me at this
2 point.” In response, C.F. arranged for the woman to be allowed to continue posting ads.

3 • On October 6, 2010, C.F. received another email from the same woman. In
4 this email, she complained that her most recent ad had been removed because it included
5 an explicit picture of her body. She provided a copy of the picture to C.F. and stated: “If
6 the person [who removed the ad] is such a prude well maybe they should check out the
7 other women’s ads in that [escorts] section.” On November 15, 2010, C.F. wrote back to
8 the woman to encourage her to edit the ad so it could be re-posted: “Ok, please try editing
9 the ad now.” After this exchange, the woman was permitted to resume posting ads on
10 Backpage.

11 • On June 6, 2011, C.F. received another email from the same woman. It
12 stated: “I would really appreciate it if you would please take the block off my ad for editing
13 I wont post any more objectionable pics, ok?” In response, C.F. arranged for the
14 woman’s editing and posting privileged to be restored: “You should be able to edit
15 now. Please let us know if you are still having any trouble.” After this exchange, the
16 woman resumed posting ads on Backpage.

17 • On July 14, 2012, C.F. received another email from the same woman. It
18 stated: “would you please take the edit block off my ad. I need to change some info on it
19 and update it. I promise i wont put no more nude pics in it, you have my word. . . . [M]y
20 ad says: 50 red roses special – dont miss out.” After this exchange, the woman was allowed
21 to continue posting ads on Backpage.

22 • On September 17, 2012, C.F. received another email from the same
23 woman. This time, she complained that Backpage was editing her ads (whose title
24 continued to feature the obvious prostitution term “50 Red roses special”) to remove the
25 most explicit pictures. She stated: “I would like to know why my ad in the escort section
26 of backpage keeps getting messed with. . . . [S]omeone keeps erasing the link to my pics
27 on the ad. that is so wrong. I am being deprived of income that I sorely need There
28

1 are other woman posting pics on their ads that show more nudity” After this exchange,
2 the woman was permitted to continue posting ads on Backpage.

3 • On October 16, 2012, the woman wrote another email to Backpage. In this
4 email, she again complained about how Backpage was editing her ads to remove the most
5 explicit pictures. She stated: “It is very hard for me to make any income from this ad as
6 they continually go into my ad and remove the link from the ad that goes to my
7 pictures. They wont allow me to post my pics on the ad yet other women with other ads
8 show more nudity than my pictures ever did.”

9 • This email was forwarded to VAUGHT and to PADILLA, who asked
10 another Backpage employee to “dig into this one a little.” On October 17, 2012, PADILLA
11 received a follow-up email from his co-worker stating that the woman’s ad had been posted
12 on September 27, was still on the Backpage website, and that the pictures the woman had
13 originally attempted to include in the ad (which had been stripped by Backpage) were
14 “topless shots.”

15 • Following these exchanges, between October 2012 and November 2015, the
16 same customer was allowed to post over a dozen new ads on Backpage, many of which
17 utilized the same identifying information, coded prostitution terms, and contact phone
18 number as before.

19 95. On January 7, 2013, VAUGHT was informed by a moderator that Backpage
20 wasn’t diligently pursuing reports of child exploitation: “We’ve supposedly been checking
21 them, but some seem to be ignored. They get ‘marked as read’, but nothing gets done with
22 them. It’s aggravating and irresponsible.”

23 96. On June 6, 2013, Backpage received a letter from NCMEC recommending
24 the adoption of several specific security measures to prevent the trafficking of children.
25 The recommended security measures included (a) verifying the age and identity of users
26 who submitted adult ads, (b) verifying the age and identity of individuals depicted in
27 photographs within adult ads, (c) prohibiting the use of anonymous payment sources such
28

1 as prepaid credit cards, and (d) requiring users to utilize verified email addresses and
2 telephone numbers. Afterward, Backpage declined to follow any of these
3 recommendations.

4 97. On August 30, 2013, LARKIN, SPEAR, BRUNST, HYER, and C.F.
5 received an email notifying them that "Chase [Bank] was no longer accepting transactions
6 from Backpage.com, due to their involvement in human trafficking." In response, C.F.
7 informed the group that he intended to begin "giv[ing] users free ads if they complain while
8 we wait on directly transactions to another processor."

9 98. On September 11, 2013, a Backpage representative made a presentation to
10 the Arizona Governor's Task Force on Human Trafficking. Following this presentation
11 (which took place in Phoenix), the representative was asked whether there would be any
12 "cons" to requiring verifiable identification of all escorts being advertised on Backpage's
13 website. In response, the representative did not identify any financial or logistical hurdles
14 to the adoption of such a requirement. Instead, the representative stated that such a
15 requirement would simply cause Backpage to lose business to other prostitution websites
16 like myRedBook.com or to overseas prostitution websites. During this meeting, members
17 of the task force also provided the representative with evidence showing that Backpage's
18 moderation efforts were ineffective at preventing the publication of prostitution ads.

19 99. On April 3, 2014, PADILLA and VAUGHT were forwarded an email that
20 had been sent to Backpage by a credit card processing company in Canada. The email
21 stated that "[w]e have multiple user accounts that are paying for your services for what I
22 understand to be prostitution advertisements" and sought information about "how you are
23 processing these transactions."

24 100. On April 14, 2014, LARKIN and BRUNST received an email from C.F.
25 discussing why Backpage had experienced "past high growth" and identifying various
26 ideas for achieving "future growth." This email stated that Backpage had been the
27 beneficiary of "[m]igration of content from other . . . marketplaces to the internet" and
28

1 identified one particular marketplace as a key source of Backpage's customers: "[N]et loss
2 for brick and mortar marketplaces: Strip clubs, hotels, and gathering spots displaced by the
3 internet." In other words, the email acknowledged that the supposed "escorts" advertising
4 on Backpage were actually prostitutes (lawful escorts did not congregate at strip clubs,
5 hotels, and other brick-and-mortar "gathering spots" during the pre-internet age). This
6 email also attributed Backpage's success in part to its adoption of policies that allowed
7 customers to post ads without leaving any meaningful identifying information—in a list of
8 Backpage's advantageous policies, it identified "Anonymous," "Prepaid card friendly,"
9 "User can post paid ads without a valid email address," and "bitcoin."

10 101. On April 24, 2014, VAUGHT sent an email to Backpage's moderators (while
11 cc'ing PADILLA). In this email, VAUGHT explained that if a moderator came across an
12 ad containing a link to a "sex for money" website, the moderator should add the link to a
13 list of banned terms but "don't bother removing it from the current ad."

14 102. On September 4, 2014, Backpage was served with a brief that had been filed
15 by NCMEC in a lawsuit in Washington state court. In this brief, NCMEC criticized the
16 sincerity of Backpage's efforts to prevent child sex trafficking: "Backpage has repeatedly
17 claimed in public statements and court filings that it is working to reduce child sex
18 trafficking on its website. The unpleasant reality is that Backpage publicizes carefully
19 selected operational processes as a subterfuge to avoid increased scrutiny, while providing
20 traffickers with easy access to an online venue to sell children for sex. In practice,
21 Backpage's stated interest in doing something meaningful to stop child sex trafficking ads
22 on its site is apparently overridden by the enormous revenue it generates from its escort
23 ads, including ads selling children for sex."

24 103. On March 17, 2015, a law enforcement officer with the California
25 Department of Justice spoke with a Backpage representative concerning the prevalence of
26 blatant prostitution ads on Backpage. In response, the representative did not dispute the
27 officer's characterization and said the internet and prostitution were not going away.

1 104. On July 30, 2015, a document entitled "trainingJuly2015" was distributed to
2 Backpage's moderators. This training manual specifically told moderators that, if they saw
3 a photograph depicting "a person [who] looks young/minor," they should "approve dont
4 delete the ad unless it has a banned term." The training manual also identified, under the
5 heading "THESE ARE ALL OKAY," a long list of terms that are indicative of prostitution,
6 such as "99% CUM BACK FOR MORE," "car service," and "lollipop special."

7 105. In or around August 2015, as part of a lawsuit in Illinois, Backpage was
8 served with an affidavit from a detective employed by the Seattle Police Department. In
9 this affidavit, the detective avowed that "[t]o date, no Detective within the Seattle Police
10 Department's Vice/High Risk Victims Unit has ever found a legitimate 'escort' (person
11 who charges simply for companionship with no offer of sex) or 'masseuse' (person offering
12 legitimate and licensed massage therapy rather than sex) while responding to ads placed in
13 these categories on Backpage.com" and that "every time the Seattle Police Department's
14 Vice/High Risk Victims Unit has responded to an ad in the adult section of Backpage.com,
15 we have found that the ad was a posting for illegal activity."

16 106. In or around August 2015, during the same lawsuit in Illinois, Backpage was
17 served with a different affidavit from a detective employed by the Boston Police
18 Department. In this affidavit, the detective avowed that "Backpage.com is the number one
19 site in Boston for prostitution and sex trafficking," that his unit had "[s]ince 2010 . . .
20 arrested over 100 buyers of sex of both adults and minors through Backpage.com ads," and
21 that "nearly all the cases we find associated with it [Backpage] involve pimp controlled
22 prostitution."

23 107. On October 7, 2015, PADILLA received an email from another Backpage
24 employee (which was later forwarded to VAUGHT) disclosing that there were "massive
25 numbers of live ads with banned terms and pictures out on the site."

26 108. On December 9, 2015, Backpage received an email from a reporter stating
27 that "[o]f the 359 sex trafficking incidents Toronto Police have been involved in since
28

1 2013, every single girl that was rescued was advertised on Backpage.” The email also
2 asked: “Why hasn’t Backpage closed down the adult escort ads portion of its site like
3 Craigslist when it’s known that underage girls are being exploited via Backpage?”

4 109. In or around January 2016, Company A was retained to serve as a payment
5 processor for some of Backpage’s websites. On April 29, 2016, Company A informed C.F.
6 that it had conducted “a review of your website, and unfortunately we had to suspend your
7 account . . . [because] advertising of illegal activities is strictly forbidden.”

8 110. Beginning in or around January 2016, Backpage’s moderators were
9 instructed to stop removing ads that contained the phrase “GFE.” For example, on January
10 28, 2016, VAUGHT was sent an email from a Backpage moderator explaining that “As far
11 as I am aware we are no longer removing ads for GFE.” Similarly, on March 9, 2016, a
12 Backpage moderator sent an email to his coworkers explaining that “Andrew [PADILLA]
13 and I talked about the GFE thing, going forward we will not be removing ads for GFE”
14 and clarifying “this includes even gfe with price.” And again, on March 25, 2016, an email
15 was sent to Backpage’s moderation staff stating that “We are no longer removing ads for
16 ‘GFE’ or ‘PSE.’”

17 111. In fact, the BACKPAGE DEFENDANTS repeatedly acknowledged that the
18 term “GFE” (girlfriend experience) is a coded term for prostitution. For example:

19 • On October 26, 2010, SPEAR, HYER, and PADILLA received an email
20 from C.F. that explained: “No coded sex act for money: GFE, PSE, BBBJ, DATY, etc.”

21 • On May 4, 2011, HYER sent an email to PADILLA and others identifying
22 GFE as a “code word” that should be forbidden.

23 • On August 31, 2011, PADILLA and C.F. exchanged emails in which they
24 discussed a list of 100 “solid sex for money terms.” The list included “GFE = girlfriend
25 experience.”

26 • On November 2, 2011, PADILLA and VAUGHT received an email from a
27 co-worker identifying GFE in a list of “sex phrases and coded terms” that are “not
28

1 allowed.”

2 112. HYER, PADILLA, and other BACKPAGE DEFENDANTS periodically
3 received a “Google alert” when articles discussing Backpage appeared in the news. Many
4 of the news articles identified in these alerts discuss instances in which prostitutes who had
5 been advertised on Backpage were kidnapped, raped, or murdered.

6 113. In January 2017, after conducting a lengthy investigation, the Senate
7 Subcommittee on Permanent Investigations (“Subcommittee”) issued a 50-page report
8 entitled “Backpage.com’s Knowing Facilitation of Online Sex Trafficking.” This report
9 concluded, among other things, that virtually all of Backpage’s “adult” ads are actually
10 solicitations for illegal prostitution services and that “Backpage has maintained a practice
11 of altering ads before publication by deleting words, phrases, and images indicative of
12 criminality, including child sex trafficking Those practices served to sanitize the
13 content of innumerable advertisements for illegal transactions—even as Backpage
14 represented to the public and the courts that it merely hosted content others had created.”

15 114. In response to the Subcommittee’s report, Backpage purported to shut down
16 the “adult” section of its website. However, the prostitution ads simply migrated to other
17 sections of the website, where they remain to this day.

18 D. International Operations

19 115. In addition to facilitating prostitution through its U.S. website, Backpage has
20 also facilitated prostitution through its websites in foreign countries. In this context,
21 Backpage often affirmatively creates the content of the illegal prostitution ads being
22 published.

23 116. Around 2013 or 2014, Backpage hired a Philippines-based company
24 (Company B) in an attempt to increase the profitability of Backpage’s international
25 operations. Company B’s employees were instructed to (1) visit rival prostitution websites
26 in other countries, (2) obtain the email addresses of prostitutes who were posting ads on
27 those websites (often by falsely posing as prospective customers), (3) use the information
28

1 from the other website to create a competing prostitution ad on Backpage (a process
2 referred to internally as “preboarding”), and then (4) transmit the new ad to the prostitute,
3 often using the previously-harvested email account information, in an attempt to persuade
4 the prostitute to become a Backpage customer. Company B’s employees were paid
5 bonuses based on the amount of ad revenue they generated for Backpage using these
6 techniques.

7 117. Backpage’s executives were fully aware of the plan to use Company B to
8 create prostitution ads outside the United States. For example, on or around November 6,
9 2013, C.F. made a presentation to LARKIN, SPEAR, and BRUNST. Among other things,
10 this presentation summarized Backpage’s plans for “International Planning and
11 Expansion.” One of the plans was to use the Philippines as a “test” market and hire Filipino
12 contractors to “contact by email leads, secure email address, add ad and email address in
13 [computer system] and assign to American staff. American staff makes contact.”

14 118. On August 7, 2014, HYER sent an email stating that Company B was “an
15 efficient and cost effective way for us to bring new users to backpage.” This email also
16 contained the following summary of how Company B would operate: “Process after hiring
17 company offering BPO services: 1. Backpage provides BPO with sites, categories &
18 countries to target. Backpage also provides sample ‘scripts’ and examples of phone
19 calls. 2. BPO contacts users via phone from sites backpage provided, obtains user email
20 address & permission to preboard ad. 3. BPO preboards ad as public user. 4. After ad is
21 preboarded, users receive verification link to verify the ad.” This email also stated that
22 Backpage would offer a “bonus per verified authenticated ad.”

23 119. On April 10, 2015, a “five-year business plan” was emailed to LARKIN,
24 BRUNST, SPEAR, and C.F. One of the goals for 2015 was “Off shore marketing staff in
25 the Philippines to grow to 166 and main task is international market content acquisition.”
26 This email also included a separate attachment stating that HYER should be considered for
27 promotion because “his strengths are strong marketing and revenue growth skills” and he
28

1 had been “heavily involved in the user experience development” and that VAUGHT should
2 be considered for a promotion because “[h]er strengths include six years of experience
3 managing moderators.”

4 120. On May 15, 2015, a Company B employee posing as a Backpage employee
5 sent an email to an apparent prostitute. The subject line was “Offering Free Advertisement
6 from Backpage.com” and the text of the email sought to persuade the prostitute to “upgrade
7 your ad with sponsor placement or automatic repost.” In response, the prostitute wrote
8 back that she had “managed to activate my ad and could buy credits as well. thanks for
9 your help. I’m traveling today to [London] how can I change my location.” This email
10 exchange was later forwarded by HYER to C.F. with a cover note stating: “[I]deal scenario
11 for [Company B] agent – user activates ad, user purchases credit.”

12 121. On December 14, 2015, C.F. was part of an email exchange concerning an
13 ad that had an IP address associated with Company B. This email contained the following
14 description of Company B’s process for creating and selling prostitution ads on Backpage:
15 (1) “Staff found lead in assigned area.” (2) “Staff entered all relevant into [database]
16 (phone/email/etc.)” (3) “Staff called lead to discuss creation of free ad” (4) Staff created
17 free ad for lead (verification email sent). (5) Staff followed under with an email reminding
18 lead of phone conversation and detailing verification of ad.”

19 E. Select Victim Summaries

20 122. Between in or around 2009 and 2013, Victim 1 was sold for sex, through the
21 use of Backpage ads, in Ohio, Indiana, and Georgia. Victim 1’s Backpage ads often
22 included words and phrases that were indicative of prostitution, such as “roses” (money).
23 On at least one occasion, Victim 1 contacted Backpage after a proposed ad had been
24 rejected because it contained banned words and phrases. In response, a Backpage
25 representative coached Victim 1 on how to re-write the ad using different words. Victim
26 1’s trafficker took all of the money that was earned through her acts of prostitution.

27 123. Between in or around 2009 and 2011, Victim 2 was sold for sex, through the
28

1 use of Backpage ads, in Arizona, Georgia, North Carolina, Texas, New York, New Jersey,
2 and Louisiana. Victim 2's trafficker drafted her Backpage ads and Victim 2 initially did
3 not know she was being offered on Backpage. The ads contained words and phrases to
4 make customers believe Victim 2 was "barely legal" and also contained words and phrases
5 indicative of prostitution, such as "roses" (money).

6 124. Between in or around 2009 and 2012, Victim 3 was sold for sex, through the
7 use of Backpage ads, in Colorado and North Dakota. Victim 3's pimp instructed her to
8 review existing prostitution ads on Backpage to learn how to draft her own ads. During a
9 portion of this period, Victim 3 was required by her pimp to make week-long trips to North
10 Dakota to work as a prostitute. During these trips, which would generate as much as \$2,000
11 in prostitution-derived revenue each day, Victim 3 was forced to leave her children at home
12 in the care of her pimp.

13 125. In or around 2010, Victim 4 was sold for sex, through the use of Backpage
14 ads, in Washington. During this period, Victim 4 was a juvenile (15 years old). Victim
15 4's pimp drafted the ads that were placed on Backpage. The wording of these ads was
16 edited by Backpage before publication. The ads contained words and phrases such as
17 "W'E'L'L_W'O'R'T'H_I'T****^****150HR" and "IT WONT TAKE LONG AT ALL"
18 and included pictures of Victim 4 in provocative positions showing her breasts and
19 buttocks.

20 126. Between in or around 2011 and 2016, Victim 5 was sold for sex, through the
21 use of Backpage ads, in Massachusetts and Rhode Island. During much of this period,
22 Victim 5 was a juvenile (14-19 years old). Victim 5's female pimp instructed Victim 5
23 that Backpage was the safest place to advertise because it did not require age verification.
24 On one occasion, Backpage declined to accept a proposed ad that indicated Victim 5 was
25 only 17 years old. In response, the ad was simply resubmitted with a new (false) age of
26 19. On other occasions, Backpage removed provocative pictures of Victim 5 from ads and
27 then allowed edited versions of the ads to be published. Victim 5's Backpage ads included
28

1 words and phrases that were indicative of prostitution, such as “roses” (money) and “back
2 door” (anal sex). Some of the customers who responded Victim 5’s Backpage ads forced
3 Victim 5 to perform sexual acts at gun point, choked her to the point of having seizures,
4 and gang-raped her.

5 127. In or around June 2012, Victim 6 was sold for sex, through the use of
6 Backpage ads, in Arizona. Her traffickers utilized Backpage ads that did not offer a
7 specific person but instead generally offered a woman with a particular type of hair color
8 and build. On June 22, 2012, Victim 6 was dispatched to a customer who had responded
9 to a Backpage ad featuring “Nadia,” who was described as a slender brunette woman.
10 Upon her arrival at the location, Victim 6 was stabbed to death.

11 128. Between in or around 2012 and 2015, Victim 7 was sold for sex, through the
12 use of Backpage ads, in Washington and Oregon. Victim 7’s pimp drafted the ads that
13 were placed on Backpage. The wording of these ads was edited by Backpage before
14 publication. The ads contained provocative nude pictures of Victim 7.

15 129. Between in or around 2013 and 2014, Victim 8 was sold for sex, through the
16 use of Backpage ads, in Maine, Connecticut, and Massachusetts. During this period,
17 Victim 8 was a juvenile (15 years old). Victim 8’s uncle, as well as his friends, placed the
18 ads on Backpage, which included words and phrases that were indicative of prostitution,
19 such as “roses” (money), “fetish friendly,” and 150 for 1/2 hour, 200 for full hour.
20 Through these ads, Victim 8 was forced to do “in-calls” (where she was raped in hotels) as
21 well as “out-calls” (where she was raped at other locations chosen by the men paying for
22 her).

23 130. In or around 2013, Victim 9 was sold for sex, through the use of Backpage
24 ads, in Florida. Victim 9’s pimp taught her how to use code words in her Backpage ads to
25 indicate how much she was charging for certain sex acts. Victim 9 was brutally attacked
26 by her trafficker, causing bruises and a fractured cheek bone.

27 131. Between in or around 2014 and 2015, Victim 10 was sold for sex, through
28

1 the use of Backpage ads, in California and Arizona. During some of this period, Victim
2 10 was a juvenile (17 years old). An associate of Victim 10's pimp took pictures of her
3 and drafted the ads that were placed on Backpage. The Backpage ads contained words and
4 phrases such as "NEW IN TOWN," "sexy sweet," and "sweet like honey but super hot like
5 fire" and included pictures of Victim 10 in provocative positions showing her legs,
6 stomach, shoulder, and buttocks.

7 132. Between in or around 2014 and 2015, Victim 11 was sold for sex, through
8 the use of Backpage ads, in Arizona, Colorado, Minnesota, Oregon, California, Montana,
9 Nevada, New Mexico, and Utah. The Backpage ads contained words and phrases
10 indicative of prostitution and included pictures of Victim 11 in provocative positions. On
11 some occasions, Backpage would remove certain explicit photos from the ads but publish
12 the remaining text and other photos. Victim 11's trafficker gave her drugs, took her
13 identification documents, sexually assaulted her with a firearm, and forced her to work full-
14 time as a prostitute.

15 133. In or around 2015, Victim 12 was sold for sex, through the use of Backpage
16 ads, in California and Arizona. Victim 12 was first advertised on Backpage in San
17 Bernardino, California, but moved to the Phoenix metro area because the Super Bowl was
18 being held there. Victim 12's advertisements on Backpage contained words and phrases
19 such as "New In Town" and "Sexy Dark Asian Bombshell with a Nice & Tight {Booty}"
20 and included pictures showing Victim 12's legs, stomach, shoulders and buttocks.

21 134. In or around 2015, Victim 13 was sold for sex, through the use of Backpage
22 ads, in California. During this period, Victim 13 was a juvenile (15 years old). Victim 13
23 and her trafficker both posted the Backpage ads, which falsely represented that Victim 13
24 was 19 years old and showed pictures of her face and body. On at least one occasion, a
25 Backpage representative contacted Victim 13 with instructions on how to fix an ad so it
26 could be published.

27 135. In or around June 2015, Victim 14 was sold for sex, through the use of a
28

1 Backpage ad, in Texas. This ad contained words and phrases such as “fun, young, exotic,”
2 “Ready to be your fantasy girl,” “OUT CALLS ONLY,” and “NO BLACK MEN” and
3 included pictures of Victim 14’s stomach, breasts, shoulders, and buttocks. On or around
4 June 20, 2015, Victim 14 was murdered by a customer. Afterward, the customer attempted
5 to destroy Victim 14’s corpse by lighting it on fire. Victim 14’s father later contacted
6 Backpage to request that the ads showing his deceased daughter be removed. Backpage
7 did not immediately comply with this request.

8 136. In or around June 2015, Victim 15 was sold for sex, through the use of
9 Backpage ads, in Texas and Louisiana. These ads contained words and phrases such as
10 “Thick Glass of Chocolate Milk Looking for a GoodTime!!!” and “sexy certified freak”
11 and contained pictures showing Victim 15’s legs, shoulders and buttocks. On June 10,
12 2015, Victim 15 was forced into a vehicle with her trafficker, who was attempting to take
13 her to Texas against her will. In an attempt to escape, Victim 15 jumped out of the vehicle
14 onto Interstate 10 and was killed after being hit by several vehicles at high speeds.

15 137. In or around July and August 2015, Victim 16 was sold for sex, through the
16 use of Backpage ads, in Michigan. These ads contained words and phrases such as
17 “OUTCALLS ONLY,” “Juicy Caramel Lady On Duty,” “Sexy, Erotic Caramel Dream,”
18 and “No Thugs, Pimps Or Weirdos” and contained pictures showing Victim 16’s breasts,
19 legs, lips, buttocks, and face. On August 15, 2015, Victim 16 was murdered by a customer.
20 Afterward, the customer dumped her corpse in a park.

21 138. Between in or around 2015 and 2016, Victim 17 was sold for sex, through
22 the use of Backpage ads, in Arizona and California. Victim 17 averaged ten customers a
23 day during this time and turned over all of her prostitution earnings (approximately \$1,500
24 per day) to her pimp. An associate of Victim 17’s pimp took pictures of her and drafted
25 the ads that were placed on Backpage. The Backpage ads contained words and phrases
26 such as “IN/CALLS ONLY,” “I’m here to make your wildest fantasies come true!” and
27 “Sorry, but NO BLACK MEN” and included pictures of Victim 17’s buttocks and face.

1 F. Money Laundering Activities

2 139. Backpage's customers have overwhelmingly used the proceeds of criminal
3 activity (*i.e.*, money earned from pimping and prostitution) when purchasing ads on
4 Backpage. In addition, because Backpage's publication of such ads is an independent
5 crime (*e.g.*, violation of 18 U.S.C. § 1952), the fees it collects from customers posting
6 prostitution ads—estimated at more than \$500 million since 2004—constitute the proceeds
7 of unlawful activity.

8 140. For these and other reasons, banks and financial institutions have repeatedly
9 refused to do business with Backpage. In response, the BACKPAGE DEFENDANTS have
10 pursued a variety of money laundering strategies. For example, on August 27, 2013, C.F.
11 was forwarded an array of emails from Backpage customers who were complaining that
12 their credit card companies had refused to process Backpage-related transactions. One
13 customer wrote: "Have you resolved the issue of Chase Bank not honoring payment for
14 you for ethical reasons?" C.F. forwarded these complaint emails to LARKIN, SPEAR, and
15 BRUNST and proposed, as a "solution" to the problem, that Backpage reconfigure its
16 website to fool credit card companies into believing the charges were being incurred on a
17 different website.

18 141. During a November 2013 presentation by C.F. to LARKIN, SPEAR, and
19 BRUNST, C.F. again discussed strategies for fooling credit card companies into believing
20 that Backpage-associated charges were being incurred on different websites, including a
21 proposal to set up shell companies without any apparent connection to Backpage ("create
22 new companies with new principals") and use their bank accounts to accept payment.
23 Another "solution" was to "allow users to fund an account thru several other sites" that
24 "have no adult or images."

25 142. On November 6, 2013, LARKIN, SPEAR, and BRUNST received an email
26 entitled "Options for the future of Backpage." This email discussed various strategies for
27 creating new entities to process Backpage-related payments "without ever disclosing ties
28

1 to Backpage.”

2 143. On April 1, 2015, BRUNST and C.F. were informed that Mastercard was
3 “snooping around” Backpage and might stop processing payments for Backpage. In
4 response, C.F. offered several suggestions for setting up new payment channels that would
5 conceal Backpage’s involvement. One such proposal was to begin routing Backpage-
6 related transactions through banks located in the country of Mauritius. In response,
7 BRUNST stated: “Didnt we go down the Mauritius path once and the banks had the same
8 issue with our content?”

9 144. Notwithstanding these strategies, the three major credit card companies
10 stopped doing business with Backpage. On or about April 30, 2015, Backpage learned that
11 American Express would no longer allow its cards to be used for any purchases in
12 Backpage’s adult section. In or around July 2015, Backpage learned that Mastercard would
13 no longer allow its cards to be used for Backpage-related transactions. When discussing
14 this decision, MasterCard stated that it “has rules that prohibit our cards from being used
15 for illegal activities.” Around the same time, Backpage learned that Visa would no longer
16 allow its cards to be used for Backpage-related transactions. When discussing this
17 decision, Visa stated that its “rules prohibit our network from being used for illegal
18 activity.”

19 145. Similarly, some banks closed accounts that were held by Backpage (or
20 Backpage-related entities) out of concern the accounts were being used for illegal purposes.
21 For example, on April 2, 2014, BRUNST received a letter from U.S. Bank that was
22 addressed to “Backpage.com.” The letter explained: “Dear Jed . . . please be advised that
23 we have elected to close your Account with us.”

24 146. Backpage responded to these developments in several ways. One was to
25 encourage customers to send checks and money orders to a Post Office box held in the
26 name of a seemingly-unrelated entity called Posting Solutions LLC (“Posting Solutions”)
27 and give such customers a corresponding credit on Backpage. For example, on July 31,
28

1 2015, C.F. exchanged email correspondence with a representative from a payment
2 processing company. In this email, C.F. identified himself as the CEO of Posting
3 Solutions, described Backpage as a “brand” operated by Posting Solutions, and explained
4 he was seeking to “find a way to position payments under another company.”

5 147. The following episode provides an example of how the Posting Solutions
6 payment process worked. On October 16, 2015, Backpage received an email from a
7 customer complaining about her inability to pay for ads using a credit card. In response, a
8 Backpage representative explained—in an email exchange later forwarded to VAUGHT—
9 that “[i]f you would like to pay for upgrades or buy credits, we suggest posting with
10 alternative payment methods such as Bitcoin. If you are in the United States, you can also
11 pay by check or money order. Please make payable to ‘Posting Solutions.’ WE CAN
12 ONLY ACCEPT CHECKS OR MONEY ORDERS MADE OUT TO ‘POSTING
13 SOLUTIONS.’ Posting Solutions. Attn: Accounts. P.O. Box 192307. Dallas, TX 75219.
14 Please send through the United States Postal Service. FedEx, UPS, or other mail delivery
15 alternatives cannot deliver to a P.O. Box. When sending your payment please be sure to
16 include your email address. Please do not make your payments out to backpage.com as we
17 will no longer be able to accept them.”

18 148. Between around September 2015 and June 2016, over \$7.1 million of checks
19 and money orders sent by Backpage customers were deposited in bank accounts held by
20 Posting Solutions.

21 149. Backpage also utilized a different entity, called Website Technologies, LLC
22 (“Website Technologies”), to process Backpage-related funds and took steps to make it
23 appear that Backpage and Website Technologies were independent entities. For example,
24 on March 10, 2014, BRUNST, SPEAR, and others participated in an email exchange with
25 the subject line “Website Technologies vs Backpage (Vendors, audits, risk assessments,
26 email).” During this exchange, one person stated “[C.F.] and I were just discussing
27 company names and the possibility of updating our email addresses to
28

1 websitetechnologies.com.” In response, BRUNST cautioned: “We need to think this thru
2 or all the work to separate it from BP will be lost.” Similarly, on April 3, 2014, BRUNST
3 sent an email to SPEAR and others explaining that “[b]y May 1 we will have to be out of
4 US Bank. We will move all banking under Website Technologies at [a different bank,
5 BMO Harris].”

6 150. In many instances, Backpage-related money that was initially deposited into
7 accounts held by Posting Solutions was later transmitted to accounts held by Website
8 Technologies. For example:

9 • On October 27, 2015, C.F. received an email entitled “Two packages coming
10 your way! (Money Orders).” The email stated that two UPS packages filled with money
11 orders were being sent—one containing \$47,647.25 of money orders made out to Backpage
12 and the other containing \$52,251.48 of money orders made out to Posting Solutions.

13 • Similarly, on November 16, 2015, C.F. received an email entitled “Three
14 packages sent today \$441,408.69.” The email stated that three packages filled with money
15 orders were being sent—one containing \$129,193.61 of money orders made out to
16 Backpage, another containing \$244,353.63 of money orders made out to Posting Solutions,
17 and the last containing an additional \$67,861.75 of money orders made out to Posting
18 Solutions.

19 • And again, on January 29, 2016, a Posting Solutions account wired \$2.4
20 million to a Website Technologies account. PADILLA and C.F. were both authorized
21 signers on the recipient account.

22 151. In addition to receiving millions of dollars from Posting Solutions, the
23 Website Technologies accounts also served as the repository for millions of dollars of wires
24 from international bank accounts controlled by Backpage-associated entities. For example,
25 between January 2015 and December 2016, Website Technologies accounts received over
26 \$45.4 million in wire transfers from Backpage-associated bank accounts in Liechtenstein,
27 over \$30.1 million in wire transfers from Backpage-associated bank accounts in Iceland,
28

1 and over \$3.9 million in wire transfers from Backpage-associated bank accounts in the
2 Netherlands.

3 152. In many instances, the next stage of the money-laundering process was for
4 money to be wired from Website Technologies accounts to bank accounts held by a
5 different entity called Cereus Properties LLC ("Cereus Properties"). The authorized
6 signers on the Cereus Properties accounts included SPEAR and BRUNST. Between
7 around December 2015 and October 2016, Website Technologies accounts sent wire
8 transfers totaling over \$47 million to accounts held by Cereus Properties.

9 153. Accounts held by Cereus Properties also received money directly from
10 international bank accounts controlled by Backpage-associated entities. For example,
11 between around August 2016 and November 2016, Cereus Properties accounts received
12 over \$11.3 million in deposits and wire transfers from Backpage-associated accounts in the
13 Netherlands.

14 154. After money reached Cereus Properties, large portions of it were funneled
15 back to Backpage or to certain BACKPAGE DEFENDANTS. For example, between
16 January 2016 and January 2017, LACEY (and LACEY's family members) received
17 distributions totaling over \$30.3 million and LARKIN separately received distributions
18 totaling over \$21 million.

19 155. Backpage also furthered its money laundering efforts through the use of
20 bitcoin processing companies. Over time, Backpage utilized companies such as Coinbase,
21 GoCoin, Paxful, Kraken, and Crypto Capital to receive payments from customers and/or
22 route money through the accounts of related companies.

23 156. Backpage also furthered its money laundering efforts by developing ways for
24 customers to purchase ads using gift cards issued by third-party vendors. This process was
25 described in a July 23, 2015, email exchange between various Backpage employees on
26 which HYER and others were copied. This exchange included the following: "[W]hat if
27 we used a customers [sic] payment method, say visa prepaid card, to buy [bitcoin] from
28

1 our seller account . . . giving said bitcoin to our catch-all wallet elsewhere (instead of to
2 user), simultaneously adding credits/purchasing paid ad or upsells? From the user's
3 perspective they just input their prepaid card and get their credits or purchase."

4 **COUNT 1**

5 **(Conspiracy)**

6 157. The factual allegations in Paragraphs 1-156 are incorporated by reference
7 and re-alleged as though fully set forth herein.

8 158. Beginning in or around 2004, and continuing through the present, in the
9 District of Arizona and elsewhere, defendants LACEY, LARKIN, SPEAR, HYER,
10 PADILLA, and VAUGHT, and others known and unknown to the grand jury, knowingly
11 and intentionally agreed, confederated, and conspired with each other, and with others
12 known and unknown to the grand jury, to commit the following offenses against the United
13 States:

14 a. 18 U.S.C. § 1952(a)(3)(A) (Travel Act—Facilitate Prostitution).

15 **OBJECT OF THE CONSPIRACY**

16 159. The object of the conspiracy was to obtain money.

17 **MANNER AND MEANS OF THE CONSPIRACY**

18 160. The manner and means of the conspiracy are described in paragraphs 1-156
19 above, incorporated by reference and re-alleged as though fully set forth herein.

20 **OVERT ACTS**

21 161. Overt acts were committed in furtherance of the conspiracy, including but
22 not limited to those described in paragraphs 1-156 above, incorporated by reference and
23 re-alleged as though fully set forth herein.

24 In violation of 18 U.S.C. § 371.

COUNTS 2-51

(Travel Act—Facilitate Prostitution)

162. The factual allegations in Paragraphs 1-161 are incorporated by reference and re-alleged as though fully set forth herein.

163. On or about the dates set forth below, each instance constituting a separate count of this Indictment, in the District of Arizona and elsewhere, defendants LACEY, LARKIN, SPEAR, HYER, PADILLA, and VAUGHT, and others known and unknown to the grand jury, used the mail and any facility in interstate and foreign commerce with intent to otherwise promote, manage, establish, carry on, and facilitate the promotion, management, establishment, and carrying on of an unlawful activity, to wit: prostitution offenses in violation of the laws of the State in which they are committed and of the United States, including but not limited to Title 13, Arizona Revised Statutes, Section 13-3214, and thereafter performed and attempted to perform an act that did promote, manage, establish, carry on, and facilitate the promotion, management, establishment, and carrying on of the unlawful activity, as follows:

<u>Count</u>	<u>Date</u>	<u>Description</u>
2.	Sept. 10, 2013	Publish ad depicting Victim 5 entitled "Get freaky Tuesday . Come spend ur day with us – 19," with accompanying text "Doin incalls and outcalls"
3.	Jan. 27, 2014	Publish ad involving P.R. entitled "50 Red R*O*S*E*S S*P*E*C*I*A*L - DONT MISS OUT!!!!"
4.	Jan. 29, 2014	Publish ad depicting Victim 8 entitled "Puerto Rican mami in walpole area INCALLS –19" after deleting one picture from the originally-submitted ad
5.	Jan. 31, 2014	Publish ad depicting Victim 8 entitled "Exotic latina, south portland area, ready to play, INCALLS, 30 min specials!!! –

Case 2:18-cr-00422-SPL Document 3 Filed 03/28/18 Page 43 of 61

		19" after deleting one picture from the originally-submitted ad
6.	Feb. 6, 2014	Publish ad involving P.R. entitled "75 Red R*O*S*E*S S*P*E*C*I*A*L - DONT MISS OUT!!!!!"
7.	Apr. 20, 2014	Publish ad involving P.R. entitled "50 Red R*O*S*E*S S*P*E*C*I*A*L - DONT MISS OUT!!!!!"
8.	May 7, 2014	Publish ad involving P.R. entitled "50 Red R*O*S*E*S S*P*E*C*I*A*L - DONT MISS OUT!!!!!"
9.	May 31, 2014	Publish ad involving P.R. entitled "50 Red R*O*S*E*S S*P*E*C*I*A*L - DONT MISS OUT!!!!!"
10.	July 1, 2014	Publish ad involving P.R. entitled "50 Red R*O*S*E*S S*P*E*C*I*A*L - DONT MISS OUT!!!!!"
11.	Aug. 19, 2014	Publish ad involving P.R. entitled "50 Red R*O*S*E*S S*P*E*C*I*A*L - DONT MISS OUT!!!!!"
12.	Nov. 23, 2014	Publish ad depicting Victim 10 entitled "New in Town Super Hot Skinny Mixed Cuban Girl With Long Black Hair – 18" after deleting picture from originally-submitted ad
13.	Jan. 29, 2015	Publish ad depicting Victim 12 entitled "New in Town Sexy Dark Asian Bombshell with a Nice & Tight {Booty} – 23" after deleting one picture from the originally-submitted ad
14.	Jan. 31, 2015	Publish ad depicting Victim 10 entitled "NEW IN TOWN sexy sweet European mixed Cuban California girl – 21"
15.	Jan. 31, 2015	Publish ad depicting Victim 12 entitled "New in Town Sexy Dark Asian mixed Bombshell – 23" after deleting one picture from the originally-submitted ad
16.	Feb. 4, 2015	Publish ad depicting Victim 11 entitled "Upscale Independent BRUNETTE BOMBSHELL 5-Star Fantasy – 26," after